

<u>Fiscal Year</u>	<u>Annual Expenditures</u>	<u>% Change</u>
1997-98	54,056,000	6.6%
1998-99	58,341,000	7.9%
1999-00	59,846,000	2.6%
2000-01	62,057,000	3.7%
2001-02 *	67,281,000	8.4%
2002-03 **	70,633,000	5.0%
2003-04	75,106,000	6.3%
2004-05	78,840,000	5.0%
2005-06	82,467,000	4.6%
2006-07	85,858,000	4.1%

* Unaudited

** Adopted

SALARIES AND BENEFITS

The Salaries and Benefits category makes up the largest component of General Operating Fund expenditures and represents all personnel-related costs. There are currently four union-represented groups in the City: the Police Officers Association (POA sworn and nonsworn), the Mountain View Professional Firefighters Union (IAFF No. 1965) and Service Employees International Union (SEIU No. 715). The remaining employees are Management, Professional and certain Front-Line positions. The outcome of negotiations with each unit is a major factor in salary and benefit costs.

CATEGORIES

- Salaries
- Wages
- Overtime
- Other pays (e.g., holiday-in-lieu, out-of-class, etc.)
- Medical/dental premiums
- Public Employees Retirement System (PERS)
- Other benefits (e.g., long-term disability, FICA, etc.)
- Workers' Compensation

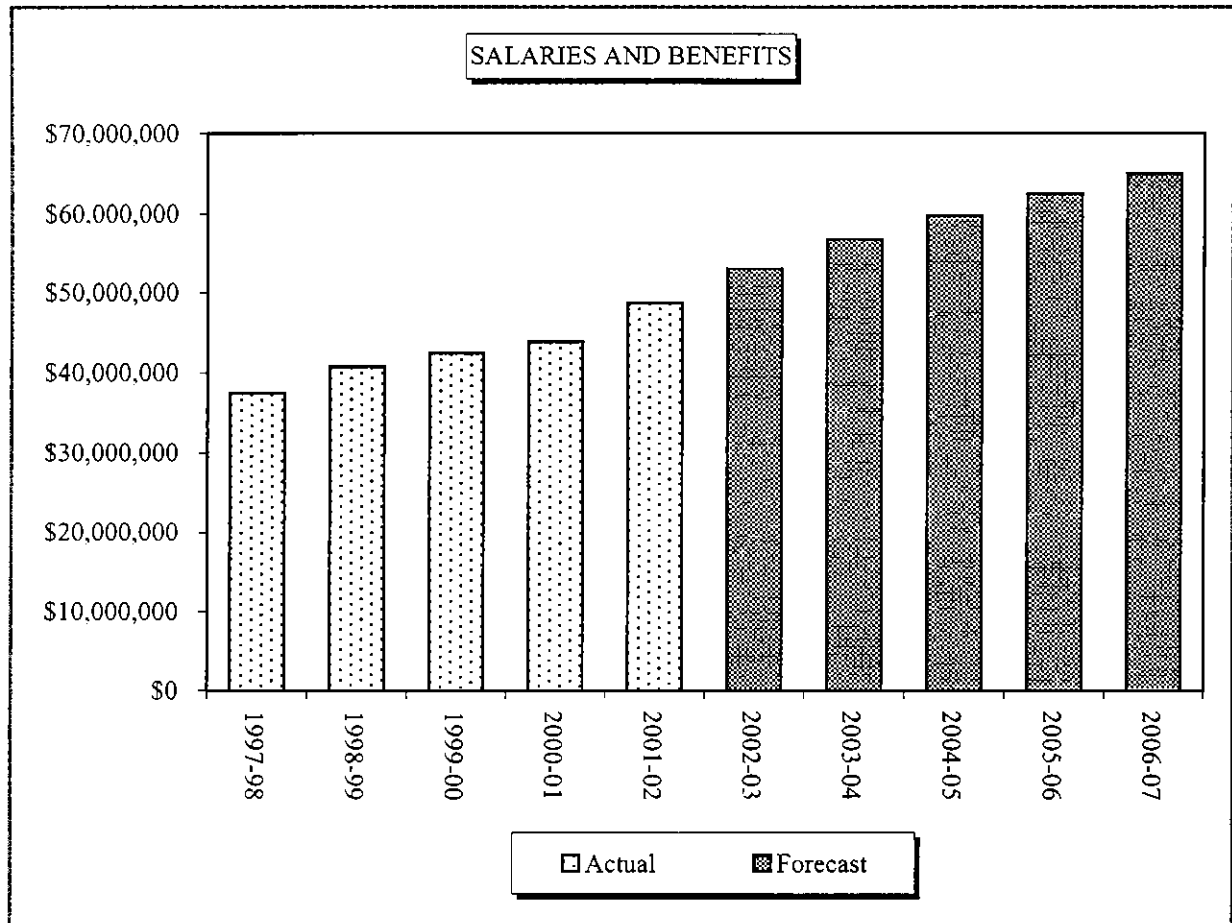
HISTORY

During the recession in the early 1990s, the City experienced retrenchment, eliminating a total of 31.5 General Fund positions. Over the next few fiscal years, the Council approved service enhancements in the highest-priority areas. In Fiscal Years 1994-95 through 1999-2000, Council approved additional positions for the City Attorney's Office, Community Development, Community Services, Library Services, Fire and Police Departments. No new positions were included in the Fiscal Year 2000-01 budget and 13.0 were added during the Fiscal Year 2001-02 budget process. Actual expenditures are historically lower than budget as a result of a variety of factors, including vacant positions and turnover.

FORECAST

As discussed during the budget process, the adopted budget includes the elimination of 4.0 full-time positions and 4.6 hourly FTEs, and the unfunding of 11.0 positions.

The forecast also includes cost-of-living adjustments agreed to in the current IAFF No. 1965, POA sworn and nonsworn and SEIU No. 715 Memorandums of Understandings (MOU) and the merit and salary increases approved for the remaining groups. In addition, any other final benefit modifications are reflected in the Fiscal Year 2002-03 adopted budget. Public Employees Retirement System (PERS) rates reflect the normal cost rate calculated by PERS in the most recent actuarial. The forecast years include projected merit and cost-of-living adjustment for all groups not covered by labor agreements. The remaining benefits, primarily employee insurance coverages, are included in the forecast with projected inflationary increases.



<u>Fiscal Year</u>	<u>Annual Expenditures</u>	<u>% Change</u>
1997-98	37,422,000	8.1%
1998-99	40,714,000	8.8%
1999-00	42,394,000	4.1%
2000-01	43,838,000	3.4%
2001-02 *	48,659,000	11.0%
2002-03 **	52,932,000	8.8%
2003-04	56,683,000	7.1%
2004-05	59,613,000	5.2%
2005-06	62,414,000	4.7%
2006-07	64,941,000	4.0%

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** Adopted

SERVICES AND SUPPLIES

The Services and Supplies category makes up the second largest component of General Fund expenditures and represents costs of operations.

CATEGORIES

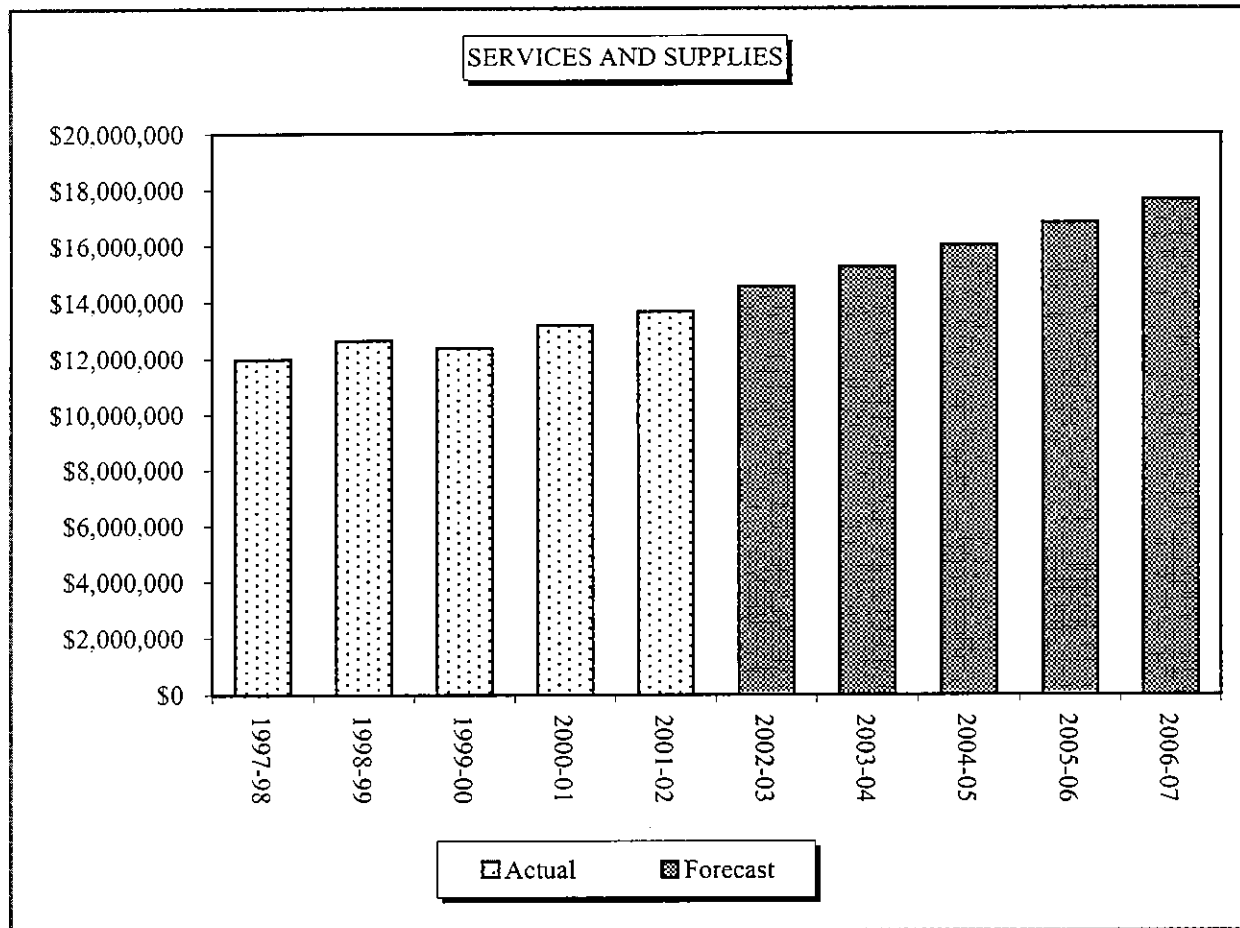
- Materials and Supplies
- Maintenance and Operations
- Utilities
- Professional/Technical Services
- Training, Conference and Travel
- Miscellaneous Expenditures

HISTORY

Since Fiscal Year 1995-96, the Council has approved increases (averaging 7.8 percent annually) for the highest-priority programs.

FORECAST

Fiscal Year 2002-03 includes a 5.0 percent reduction from the prior fiscal year adopted budget, a net of Fiscal Year 2002-03 adopted budget reductions and some unavoidable increases. A 5.0 percent increase is included in each of the subsequent forecast years. This increase is based on historical averages, after adjusting for significant programs, and the information gathered from the State and other sources.



<u>Fiscal Year</u>	<u>Annual Expenditures</u>	<u>% Change</u>
1997-98	11,984,000 (1)	16.6%
1998-99	12,648,000 (1)	5.5%
1999-00	12,377,000	(2.1%)
2000-01	13,194,000	6.6%
2001-02 *	13,658,000 (1)	3.5%
2002-03 **	14,524,000	6.3%
2003-04	15,244,000	5.0%
2004-05	16,006,000	5.0%
2005-06	16,807,000	5.0%
2006-07	17,647,000	5.0%

* Unaudited

** Adopted

(1) Includes Interfund Transfers

CAPITAL OUTLAY AND EQUIPMENT REPLACEMENT

The Capital Outlay and Equipment Replacement category represents the new and replacement equipment needs of the City. Although, individually, Capital Outlay is one-time in nature, the City includes this category in the operating budget to reflect capital needs on an annual basis. In addition to the General Operating Fund, the Revitalization Authority, Shoreline Golf Links, Parking District, Shoreline Regional Park Community, Water, Wastewater, Solid Waste Management and Fleet Maintenance Funds make annual contributions based on the equipment used by those operations. Equipment replacement expenditures are transferred to and paid by the Equipment Replacement Reserve Fund.

CATEGORIES

- Capital Outlay
- Equipment Replacement

HISTORY

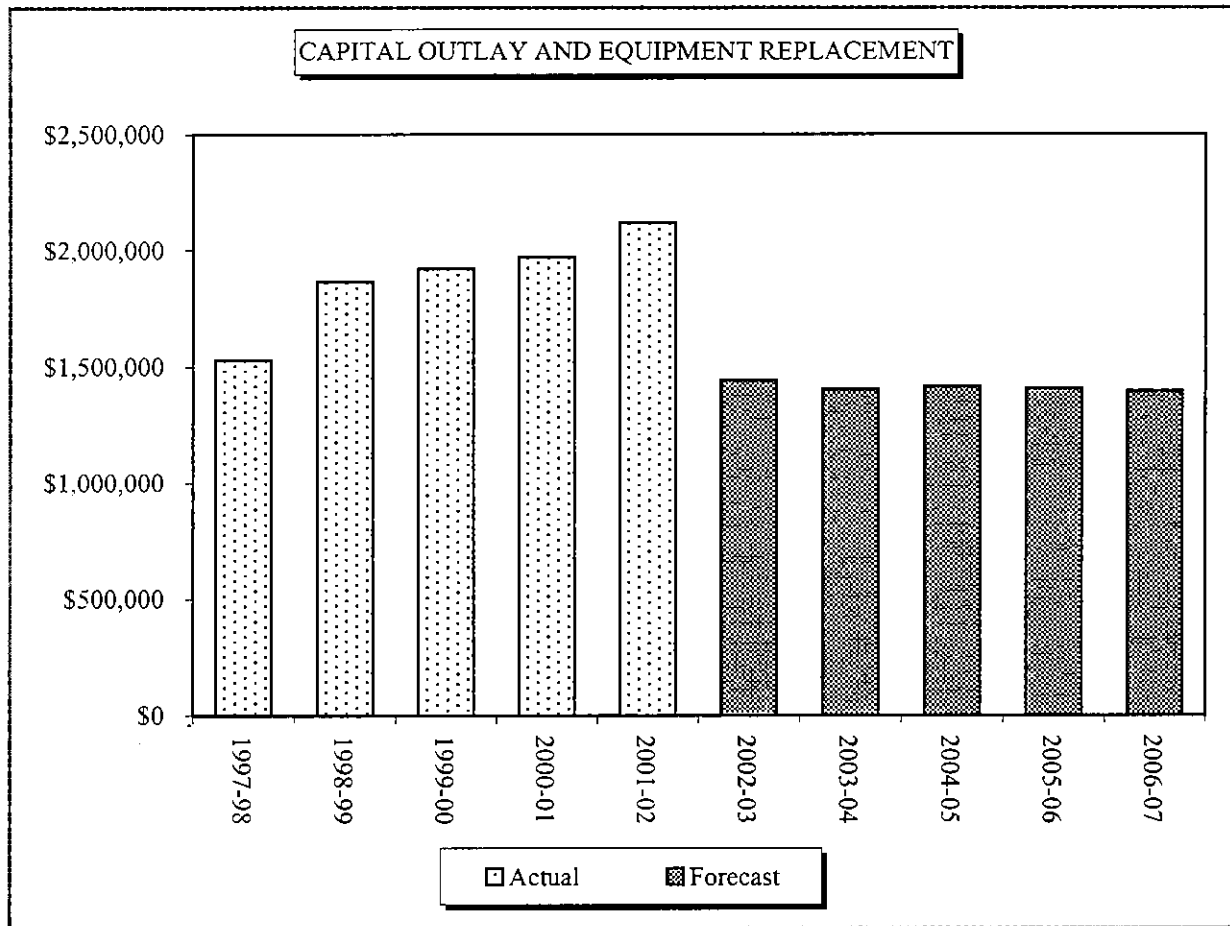
Capital Outlay: Since Fiscal Year 1993-94, the annual expenditures have grown as a result of an increased level of technology and related equipment, and an increase in the number and quality of safety vehicles.

Equipment Replacement: The Equipment Replacement Reserve was initially funded in Fiscal Year 1992-93 with year-end General Fund carryover. Since that time, the Council has approved transfers to this fund from the year-end General Fund carryover to supplement the General Operating Fund's share of funding. The General Operating Fund increased this funding by \$200,000 annually from Fiscal Year 1994-95 until it was fully funding its share by Fiscal Year 2001-02.

FORECAST

Capital Outlay: The Fiscal Year 2002-03 adopted budget includes an ongoing \$100,000 reduction to capital outlay.

Equipment Replacement: The Fiscal Year 2002-03 adopted budget includes a \$500,000 reduction in the General Operating Fund's contribution to Equipment Replacement.



<u>Fiscal Year</u>	<u>Annual Expenditures</u>	<u>% Change</u>
1997-98	1,529,000	(3.0%)
1998-99	1,863,000	21.8%
1999-00	1,919,000	3.0%
2000-01	1,969,000	2.6%
2001-02 *	2,118,000	7.6%
2002-03 **	1,440,000	(32.0%)
2003-04	1,402,000	(2.6%)
2004-05	1,413,000	0.8%
2005-06	1,403,000	(0.7%)
2006-07	1,394,000	(0.6%)

* Unaudited

** Adopted

SELF-INSURANCES

The Insurances category represents the General Operating Fund's share of insurance costs in the Internal Service Funds. Special Funds and the Enterprise Funds also contribute to benefit insurances.

CATEGORIES

- General Liability
- Retirees' Health Care
- Vision Care

HISTORY

General Liability: In Fiscal Year 1993-94, the City joined a liability insurance pool (ACCEL) with other select cities for the provision of \$19.5 million coverage in excess of the current \$500,000 self-insured retention (SIR) for total coverage of \$20.0 million. Beginning in Fiscal Year 2001-02, funding of liability insurance was spread to all funds which receive a benefit from this insurance coverage. Previously, the cost was funded entirely by the General Operating Fund.

Retirees' Health Care and Vision Care: The medical premiums for retirees are paid by the Retirees' Health Fund, and vision care claims and reimbursement for safety glasses are paid by the Employee Benefits Fund. The annual cost of both of these programs is allocated to all operating funds.

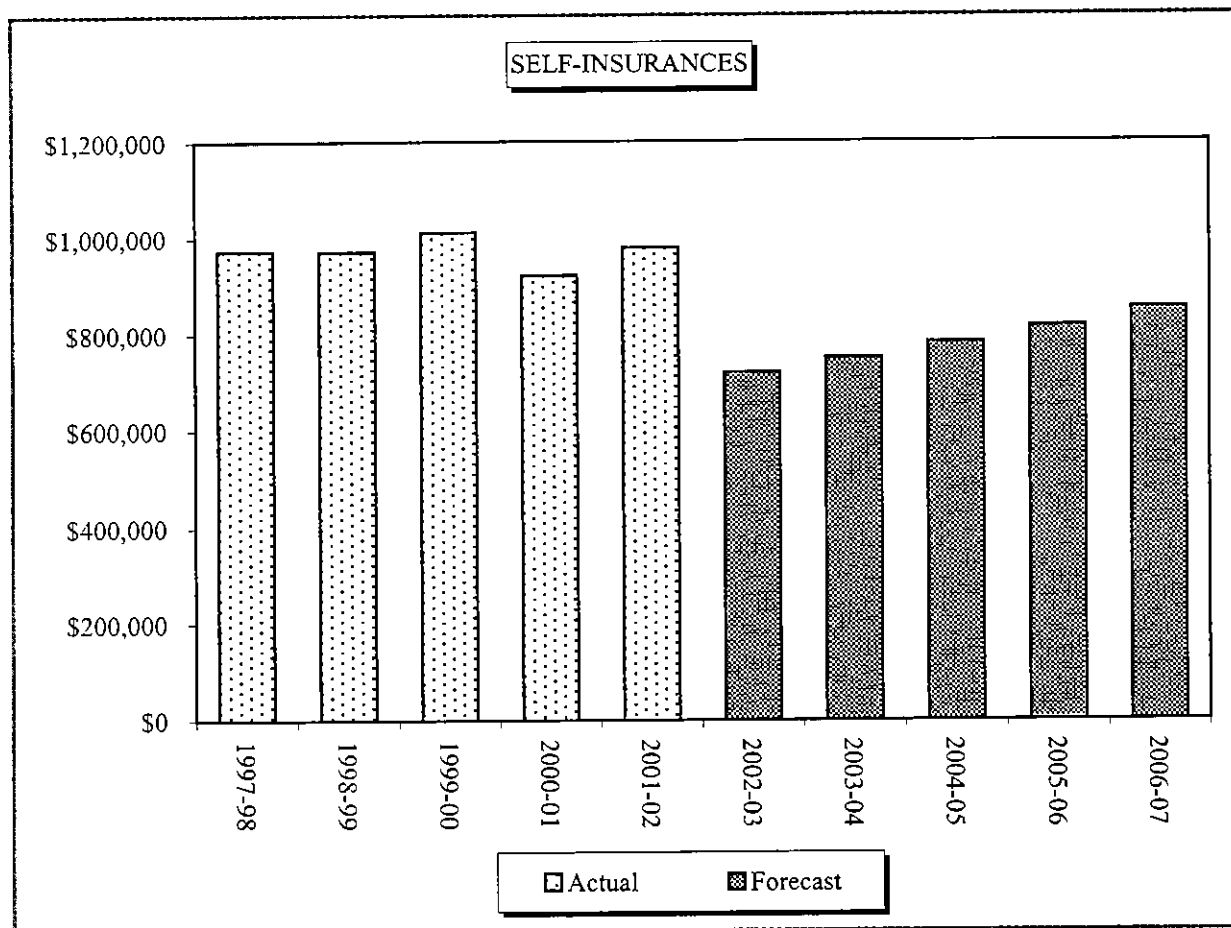
FORECAST

General Liability: The adopted budget includes the allocation of this funding to the General Operating Fund, Revitalization Authority, Shoreline Golf Links, Parking District, Shoreline Regional Park Community, Water, Wastewater and Solid Waste Management Funds. The Fiscal Year 2002-03 through 2006-07 projections are based on maintaining the minimum policy level for reserve balances. Operating expenditures in this fund are projected to remain constant.

Retirees' Health Care: The General Operating Fund's contribution to the Retirees' Health Fund is based on the projected cost of health care premiums for retired employees and the number of retirees. The number of retirees is calculated to increase by 15 for Fiscal Year 2002-03 and by 12 in each of the four following forecast years. This is based on historical trends and the number of known pending retirements.

To date, the General Operating Fund has contributed the entire reserve balance of the Retirees' Health Fund. The adopted budget includes funding of the General Operating Fund's share to be paid by investment earnings generated by the reserve balance.

Vision Care: The General Operating Fund's contribution is based on the projected amount required to fund vision coverage for employees and retirees and safety glasses for employees.



<u>Fiscal Year</u>	<u>Annual Expenditures</u>	<u>% Change</u>
1997-98	973,000	3.6%
1998-99	972,000	(0.1%)
1999-00	1,011,000	4.0%
2000-01	921,000	(8.9%)
2001-02 *	978,000	6.2%
2002-03 **	719,000	(26.5%)
2003-04	750,000	4.3%
2004-05	782,000	4.3%
2005-06	816,000	4.3%
2006-07	852,000	4.4%

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DEBT SERVICE

The Debt Service category funds the debt obligations of the General Fund to the Debt Service Funds.

CATEGORIES

- City Hall and Center for the Performing Arts

HISTORY

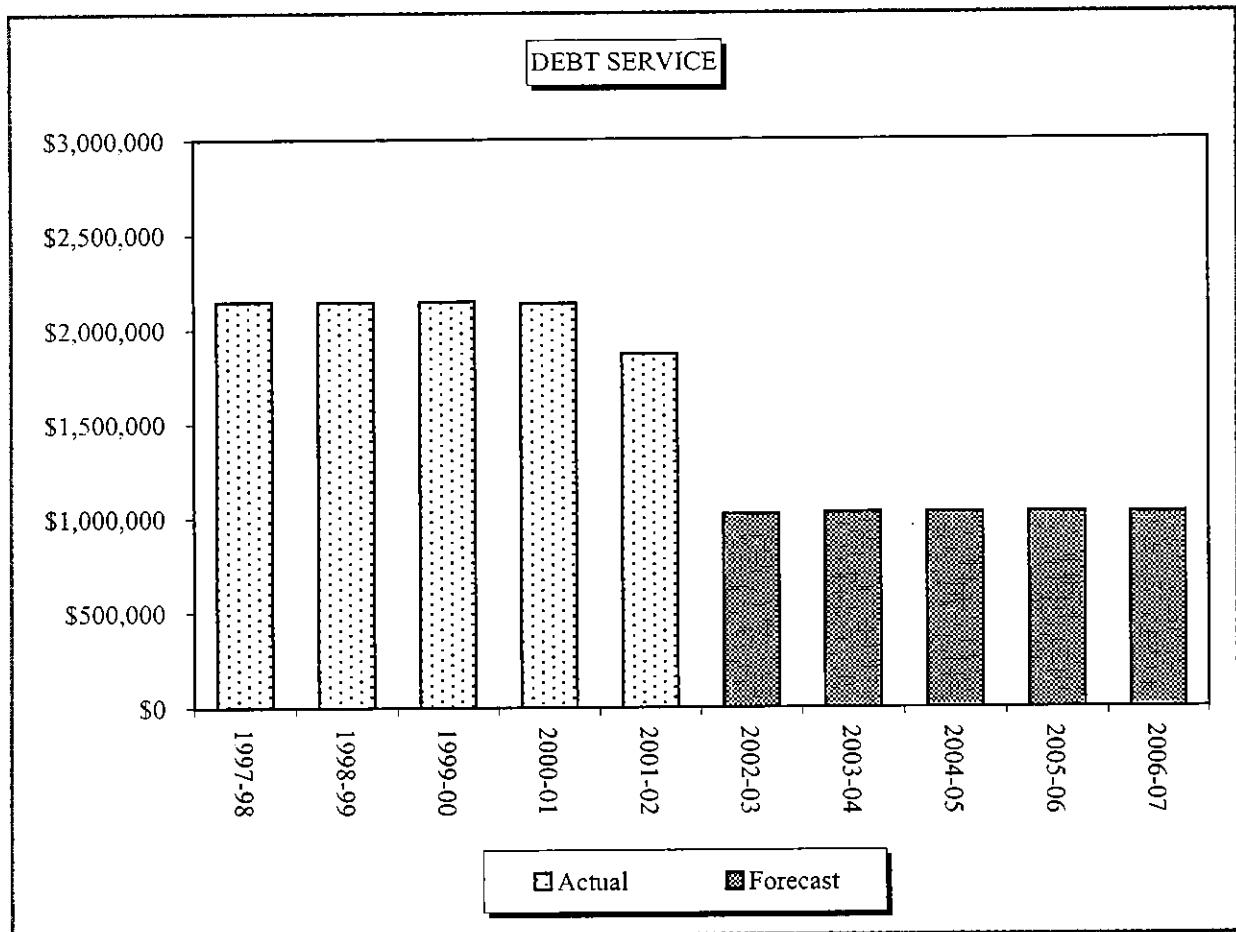
City Hall/Center for the Performing Arts: In Fiscal Year 1988-89, the City issued debt to fund the construction of a new City Hall building and Center for the Performing Arts. The City refinanced this debt in Fiscal Year 1992-93, reducing annual debt service payments an average of \$230,000 and a total savings of approximately \$5.5 million over the life of the debt.

The Council approved the allocation of \$5.0 million from the Fiscal Year 1999-2000 General Fund carryover and \$5.0 million from the Fiscal Year 2000-01 carryover to call a portion of the outstanding General Fund bonds.

FORECAST

City Hall/Center for the Performing Arts: The \$10.0 million bond call and refinancing completed in August 2001 reduced the ongoing General Operating Fund debt service obligation by approximately \$1.1 million annually. This annual reduction in debt service expenditures is reflected in the expenditure forecast.

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<u>Fiscal Year</u>	<u>Annual Expenditures</u>	<u>% Change</u>
1997-98	2,148,000	(20.7%)
1998-99	2,144,000	(0.2%)
1999-00	2,145,000	0.0%
2000-01	2,135,000	(0.5%)
2001-02 *	1,868,000	(12.5%)
2002-03 **	1,018,000	(45.5%)
2003-04	1,027,000	0.9%
2004-05	1,025,000	(0.2%)
2005-06	1,027,000	0.2%
2006-07	1,024,000	(0.3%)

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